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DDI-3423-82

23 April 1982

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

THROUGH : Chairman, National Intelligence Council *sl*

FROM : Senior Review Panel

SUBJECT : Report on Intelligence Performance on
Soviet Oil Production

1. Submitted herewith is the Panel's subject report, responding to an initial request by the Deputy Director, National Foreign Assessment, as subsequently broadened by the Deputy Director of Central Intelligence.

2. In this report we have sought to highlight lessons from the procedures and processes of the Community and its component agencies in their work on Soviet oil production in recent years, and to derive from those lessons a number of issues for the attention of the senior managers of the Community. We believe that resolution of those issues--some of which have implications considerably wider than the Soviet oil problem itself--might significantly improve future intelligence performance. Accordingly, we recommend that the report be given broad distribution. Our suggested distribution list is attached.

3. We wish to record our appreciation for the candor and cooperation uniformly extended to us throughout this study on the part of the agencies concerned.

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Suggested Distribution for Senior Review Panel Report on
Intelligence Performance on Soviet Oil Production:

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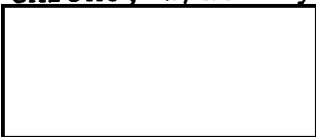
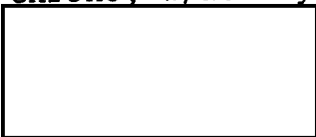
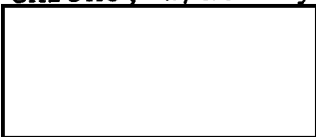
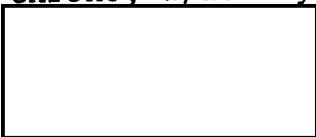
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SUBJECT: Report on Intelligence Performance on Soviet
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REPORT ON INTELLIGENCE PERFORMANCE
ON SOVIET OIL PRODUCTION

APRIL 1982

SENIOR REVIEW PANEL

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REPORT OF THE SENIOR REVIEW PANEL
ON INTELLIGENCE PERFORMANCE
ON SOVIET OIL PRODUCTION

Part One -- Findings

- I. Setting
- II. Principal Judgments
- III. Management Issues

Part Two -- The Historical Record

- IV. Estimative History
- V. Sources and Resources
- VI. Methodologies

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PART ONE -- FINDINGS

I. Setting

1. In early November 1981 the then Director, National Foreign Assessment Center, requested the Senior Review Panel to undertake an examination of NFAC's work on Soviet oil production. In January 1982, the DDCI asked that the Panel's study be broadened to include an assessment of the performance of other components of the Intelligence Community and of the Community as a whole.

2. This study covers Community performance from the earliest efforts to the present, but concentrates on the period from mid-1976 to date. The record establishes clearly that CIA and DIA were the only members of the Intelligence Community with a significant analytic and publications effort on Soviet oil production. Outside the Community, the United States Geological Survey (USGS) of the Department of Interior produced a number of unclassified studies of Soviet geology and reserves. The Treasury, State, Energy, and Commerce Departments were keenly interested in global oil estimates, but lacked energy intelligence analysis groups. Those of their offices most concerned with the subject were policy arms and did not publish independent intelligence judgments on Soviet oil prospects. Accordingly, we have of

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necessity focused primarily on CIA, the lead agency on this subject, which took steps to ensure that the question was given intensive analytical attention starting in 1976; and secondarily, on DIA, which became heavily involved from 1977 on.

3. In the course of the study, we reviewed the entire published record and examined a considerable volume of raw and semi-processed intelligence. We interviewed in some depth nearly all analysts and managers in the Community who have been involved with the subject (including several now retired). We had lengthy discussions with officials most closely concerned at NSA; interviewed participating geologists at the United States Geological Survey (USGS); drew on work by a number of other agencies; and met with one of the principal external consultants to NFAC (and now DDI).

4. We did not interpret our examination as a fault-finding mission, nor aim at an independent projection of Soviet oil production. We sought instead to derive lessons from the procedures and processes of the Community and the individual agencies concerned in preparing the Soviet oil estimates of recent years and to identify a number of issues for the attention of the senior managers of the Community, the resolution of which might improve future performance.

II. Principal Judgments

1. We believe that the record of the last several years discloses two fundamental weaknesses in the performance of the Community and its component agencies:

- on the part of the Community as a whole, the avoidance of Community institutions and processes for an examination of established differences, especially between CIA and DIA.
- on the part of the component agencies, management lapses which tolerated continued estrangement of CIA and DIA and, within CIA, the existence of two largely independent analytical efforts to the detriment of a more balanced Soviet energy analysis, more adequate utilization of all-source intelligence, and more integrated and policy-relevant estimating.

2. As to the Community, CIA-DIA differences were clearly evident from 1978 on, and were paralleled by continuing public controversy. The preparation of a national estimate would have opened the subject to the views and judgments of other departments and agencies and forced the two key players into a genuine intellectual confrontation, productive either of some reconciliation or a clear identification of the

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nature and reasons for remaining differences. This unresolved dispute was important for United States policy, for operational intelligence interests in strategic targeting and technological denial analysis, and for basic estimates of the USSR's domestic economy and its foreign relations in the critical areas of the Middle East and Eastern Europe.

3. As to the participating components, we have no wish to underestimate the difficulty of the forward estimation of oil resources, reserves, and production--matters which are at best far from an exact science--in a denied area where portions of critically important data have long been regarded as state secrets. We believe, to the contrary, that intelligence analysis on Soviet oil production in the period since 1976 has for the most part been marked by high professional standards of energy and dedication and by innovative methodological development and use. The overall record has, however, suffered from many major defects, on which we comment below.

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